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SRI R. SURYANARAYANA RAO :—“ Will the Government take steps to see that the lands that are being allotted to the political sufferers are being cultivated and not lying fallow? ”

THE HON. SRI H. SITARAMA REDDI :—“ That aspect of the question has been borne in mind and we have taken every step to see that every land that has been assigned is put to use for the growing of more food crops.”

DR. SYED TAJUDDIN :—“ Is there any time-limit for starting cultivation of the land, beyond which the land should not lie fallow? ”

THE HON. SRI H. SITARAMA REDDI :—“ I cannot answer that question off hand. But my own recollection is that there exists some sort of provision in the land assignment order.”

SRI A. GOVINDACHARYULU :—“ Will the Government consider the desirability of reviewing the Government Order regarding the assignment of lands to political sufferers with a view to giving preference to political sufferers over those who have occupied the lands without the previous sanction of the Government, or authority of the Government, or assignment of Government, who are called unauthorized occupants, irrespective of the fact that they are poor or to whatever class they may belong.”

THE HON. SRI H. SITARAMA REDDI :—“ I would like to draw the hon. Member's attention to the Government Order on the subject.”

MR. CHAIRMAN :—“ I think that this is the main purpose of the order.”

[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—BUDGET FOR THE YEAR 1950-51.

MR. CHAIRMAN :—“ The Hon. the Finance Minister will now present the Budget for the year 1950-51.”

THE HON. SRI B. GOPALA REDDI :—“ Mr. ^{Introducer} Chairman, Sir, I rise to present to the House the Revised Estimate for the current year, 1949-50 and the Budget Estimate for the next year, 1950-51.

“ It is now just a month, since India became a Sovereign Democratic Republic and Dr. Rajendra Prasad—Rajen Babu as he is affectionately known—was unanimously chosen as its first President. As I said when I had the good fortune of welcoming him to preside over the All-India Agricultural and Economic Conference at Madras on 1st January this year, Dr. Rajendra Prasad has by his selfless service, sacrifice and unremitting toil, carved out a permanent place for himself in the hearts of millions of our people and in particular of our peasants. It is but

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fitting that the choice of the Nation for the first executive head under the new Constitution which is designed primarily to secure to all citizens Justice, social, economic and political, should have fallen on the person under whose guidance it was framed.

“ At one time, it looked as though the Andhra Province would be formed before the new Constitution came into force; but as the House is aware, the Government of India have decided that the question requires further consideration. So I am before you for the third time presenting the budget for the whole State of Madras.

“ The problem of Kashmir still awaits a solution. In the prevailing uncertainty, it is heartening to feel that in the Shere-i-Kashmir, who was in our midst a few days ago, India has a staunch friend and an eloquent exponent of her case.

“ In my last budget speech, I expressed the hope that an early decision would be reached in regard to the future of the French dependencies in India. The question still remains unsettled, giving rise to various administrative difficulties. For instance, the French India Government decided to withdraw Prohibition in their Settlements *except* Yenam, with effect from the 1st January 1950, and this has made the enforcement of Prohibition in the border areas more arduous.

“ The Madras State now includes the merged areas of Banganapalle, Pudukkottai and Sandur. The transactions relating to these areas are at present being shown in the deposits section of the accounts; but they will be brought on to the regular heads of revenue and expenditure from 1st April 1950, and this has been allowed for in the Budget Estimates for 1950-51.

“ The hon. Members will notice that the payments on account of the privy purse to the Ex-Rulers and allowances to their families have also been included in the budget for next year under the head ‘ Territorial and Political Pensions ’. This is only provisional, and we are taking up with the Government of India the question whether they should not properly bear this expenditure. Even if these payments are excluded, the receipts to this Government

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from these areas will, according to the present estimates, fall far short of the expenditure to be incurred, and the Madras Government propose to ask the Government of India to make good the deficit.

“ I cannot now definitely say when the elections under the new Constitution will be held. The preliminary work is going on apace, and for budget purposes, it has been assumed that the elections would be held early in 1951. The provision made in the budget for next year is Rs. 29.34 lakhs, in addition to a sum of Rs. 20.62 lakhs included in the Revised Estimate for the current year for the preparation and printing of electoral rolls. It is hoped to recover from the Government of India a sum of Rs. 12.50 lakhs during the two years, representing the estimated expenditure on the conduct of elections to the House of the People in the Union Parliament.

“ Turning to the financial affairs of this State, the final accounts of the year 1948-9 show a small deficit of Rs. 4.90 lakhs, against a deficit of nearly Rs. 366 lakhs anticipated in the Revised Estimate for the year. This improvement of about Rs. 361 lakhs in the Revenue Account was mainly due to the non-adjustment in the year's accounts of some large items of expenditure as indicated in paragraph 4 of the Finance Secretary's Budget Memorandum (Part I) for 1950-51. The deficit was covered by the withdrawal of a sum of Rs. 5 lakhs roundly from the Revenue Reserve Fund. There was a reduction in the capital expenditure also to the extent of Rs. 188 lakhs, mainly on account of the delay in the receipt of plant and machinery and slower progress on Electricity and Irrigation Schemes.

Financial
affairs of the
State
Accounts,
1948-49.

“ Coming to the current year, 1949-50, an important decision affecting the entire financial and economic structure of the country was the devaluation of the rupee in relation to the dollar from September 1949. It is to the credit of the Government of India that adequate steps have been taken to prevent any increase in the general level of internal prices on this account and that the devaluation is contributing towards the increase in the country's exports and the easing of the balance of payments position. The finances of this Government have not been seriously affected except to the extent that the machinery and equipment to be imported from the hard-currency areas for our important projects will

Revised
Estimate,
1949-50.

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cost us more. Imports from these areas will, however, be resorted to only to the extent that corresponding machinery and equipment which will meet our requirements cannot be had from soft-currency areas.

Revenue
Account.

"The hon. Members will remember that in presenting the budget for the current year, I anticipated that there would be a deficit in the Revenue Account of about Rs. 391 lakhs.

"To cover this deficit, I proposed various new measures of taxation and took credit for an additional revenue of Rs. 400 lakhs under the head 'Other Taxes and Duties'. As the House is aware, most of these proposals were dropped, either as a result of closer examination or in deference to the views expressed by the Legislature. The only changes in taxation made during the year were—

(1) An increase in the rates of tax under the Motor Vehicles Taxation Act;

(2) An increase in the rate of tax from 3 pies to $4\frac{1}{2}$ pies in the rupee on articles of food and drink sold in hotels and boarding houses with a turnover exceeding Rs. 25,000 per annum;

(3) The levy of a tax at one-half of one per cent in the rupee at a single point on sales of raw cotton;

(4) Extending the surcharge levied in respect of electricity used for industrial purposes to consumption for domestic purposes also in Hydro-Electric areas and levy of an industrial surcharge in the Madras area; and

(5) A small tax on cinema shows except those of touring cinemas in villages.

Nevertheless, the growth of revenue under the general sales tax consequent on the tightening up of the administration and increase in business transactions, has made up to a very large extent for the abandonment of several taxation measures originally proposed. On the representations made by this Government, the Government of India have also increased the compensation in lieu of tobacco taxation from Rs. 22 lakhs to Rs. 56 lakhs per year. I am thankful to the Hon'ble Dr. John Mathai, the Finance Minister to the Government of India, for having readily acceded to our request. On the basis of the estimate of the total amount of the divisible pool

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furnished by the Government of India in the beginning of this month, it is expected that our income-tax share for the current year will be Rs. 31 lakhs more than the budget estimate. On the other hand, the seasonal conditions this year have been bad in a number of districts, and provision has therefore been made in the Revised Estimate for remission or postponement of land revenue to the extent of Rs. 70 lakhs against the ordinary seasonal remissions of about Rs. 11 lakhs in a normal year. The result of all these factors is that the Revised Estimate of revenue under all heads is Rs. 56.91 lakhs, i.e., Rs. 116 lakhs more than the budget figure of Rs. 55.75 lakhs.

“Turning to the expenditure on Revenue Account, the Revised Estimate is Rs. 56.38 lakhs against the budget figure of Rs. 55.66 lakhs, showing an increase of Rs. 72 lakhs. This is mainly due to the introduction of a number of schemes during the course of the year and smaller savings from the retrenchment measures than those for which credit was taken in the budget estimates, partly offset by smaller expenditure on Post-war Reconstruction Schemes.

“The net result is that the transactions of this year are expected to yield a surplus of Rs. 53 lakhs. I may mention in this connexion that though it was originally expected that there would be a net expenditure of over Rs. 47 lakhs on State Trading Schemes in 1949-50, the present indications are that the transactions booked in the accounts of the year would result in a substantial credit, mainly due to the rectification of wrong debits raised against this Government in previous years.

“The total capital expenditure outside the Revenue Account is now estimated at Rs. 948 lakhs, against the original budget figure of Rs. 12.38 lakhs, showing a decrease of Rs. 290 lakhs. This is mainly due to the net credit of about Rs. 250 lakhs on account of the transactions booked in the year under State Trading Schemes being allowed to remain in the Capital Account. A sum of Rs. 51 lakhs originally provided in the budget towards the value of shares in the Madras Industrial Investment Corporation and another sum of Rs. 25 lakhs for the purchase of shares in the Ammonium Sulphate Factory at Sindhri (Bihar) have been omitted in the Revised Estimate, as no calls for these are expected in this year. A provision of Rs. 25 lakhs has been made in

Capital
expenditure
1949-50.

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the Revised Estimate for 1949-50 for interim payments to zamindars whose estates have been taken over. A provision of Rs. 107 lakhs has been made in the budget for the next year for the payment of advance compensation, in respect of these estates in accordance with the recent legislation. The Government are considering whether these payments may not be made in the current year itself.

Loans and
advances by
the Madras
Government,
1949-50.

“ The budget for the current year took credit for recoveries amounting to Rs. 817 lakhs and provided for advances to the extent of Rs. 684 lakhs. According to the Revised Estimate, the corresponding figures are: Rs. 562 lakhs and Rs. 715 lakhs. The smaller recoveries are mainly due to the smaller loans taken by the Madras Provincial Handloom Weavers' Society in the previous year, while the slight increase under ‘ advances ’ is the result of loans sanctioned to local bodies for new schemes for which no provision was made in the budget.

Loans from
the Govern-
ment of
India, etc.

“ The Madras Government had hoped to get a loan of Rs. 6 crores from the Government of India during the current year for meeting capital expenditure and for giving loans and advances to local bodies, cultivators, etc. In view of the special difficulties facing them, however, the Government of India finally decided not to give any loan this year. It was too late to go in for an open market loan by the time this decision was communicated to this Government, and the requirements have been met for the time being by issuing treasury bills and taking ways and means advances from the Reserve Bank of India. The capital expenditure has also been slowed down, wherever possible.

“ The total outstanding balance of loans due to the Government of India on the 31st March 1950 will be Rs. 12.29 crores, and the outstanding balance of loans raised in the open market will be Rs. 15.20 crores. It is anticipated that the ways and means advances and treasury bills now outstanding would be repaid before the end of the year. The total outstanding loans will thus be Rs. 27.49 crores, which is less than one-half of the present annual revenue. The loans advanced to local bodies, agriculturists, and to others due to the Government will be about Rs. 16.45 crores.

osing
alance on
e 31st
arch 1950.

“ The year 1949-50 started with a balance of Rs. 46.21 crores in the shape of cash and securities

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including the amounts pertaining to the Revenue Reserve Fund. On the basis of estimates now available, it will close with a balance of Rs. 37.99 crores. The Government will also hold separately securities belonging to the Sinking Fund Investment Account, Famine Relief Fund and the Electricity Depreciation Reserve and Special Reserve Funds, of the purchase value of Rs. 5.19 crores.

“ The Budget for the next year, 1950-51, will be the first under the new Constitution. Before I set out the estimated financial results of that year, I shall briefly survey the position under various heads, as it has progressed during the preceding five years. In doing so, I shall not cover the ground already traversed in His Excellency the Governor's address, and as far as possible let the relevant figures speak for themselves. I propose also to anticipate the budget proposals of the next year, wherever this seems necessary to give the House a complete picture of the subjects dealt with. Review of Administration.

“ The total normal revenue and expenditure on Revenue Account of the State (excluding transfers from or to the Revenue Reserve Fund) are as follows: — Normal Revenue and Expenditure of the State.

Year.	Revenue.	Expenditure.	Surplus column (2) minus column (3).	Capital outlay on State Trading Schemes transferred to the Revenue Account.	Final Surplus in the Year's Accounts column (4) minus column (5).
(1)	(2)	(3)	(4)	(5)	(6)
	RS.	RS.	RS.	RS.	RS.
	CRORES.	CRORES.	CRORES.	CRORES.	CRORES.
1945-6	47.99	32.28	15.71	— 1.60	17.31
1946-7	51.98	44.79	7.19	12.20	— 5.01
1947-8	50.71	45.75	4.96	— 0.16	5.12
1948-9	53.28	51.29	1.99	2.04	— 0.05
1949-50 (Revised Estimate) ..	56.91	56.38	0.53	..	0.53

It will be seen that leaving State Trading Schemes out of account, both the receipts and the expenditure have been increasing and that the net result of each year's transactions is a surplus, though the amount of the surplus has been decreasing steadily from 1946-7.

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Excise
Revenue.

" During these years, the excise revenue which stood at Rs. 16.80 crores in 1945-6 has almost vanished. The actual figures are as follows:—

	Revenue.
	RS.
	CRORES.
1946-7	14.68
1947-8	10.69
1948-9	3.67
1949-50 (Revised Estimate)	0.46

The figure for 1949-50 represents the small revenue now derived by the issue of opium to addicts, duties on medicinal preparations containing opium, alcohol, etc., fines in respect of prohibition offences, and some arrear collections. The Madras Government do not regret the loss of this revenue, as they believe that it has been more than made up by the increase in the general standard of living of the poorer people. Complaints have sometimes been made that the enforcement machinery is not fully effective at present, but the Government hope that with the co-operation of the people, there will soon be a considerable improvement in this regard.

Growth of
Revenue
other than
Excise.

" The increase in the total revenues of the State, notwithstanding the disappearance of almost the entire excise receipts is due to the phenomenal growth of receipts under income-tax, the general sales tax, and the tax on motor vehicles. The figures are—

Year.	Income- tax receipts.	General Sales tax receipts.	Receipts under Motor Vehi- cles Acts.
	RS.	RS.	RS.
	CRORES.	CRORES.	CRORES.
1945-6	4.31	5.82	0.98
1946-7	4.48	6.96	1.31
1947-8	5.35	8.31	1.67
1948-9	8.42	13.03	1.97
1949-50 (Revised Estimate)	8.20	15.52	2.75

Income-tax.

" The increase in our receipts under the head 'Income-tax' reflects the growth of the total income-tax revenue and consequently of the divisible pool from year to year. Under the Niemeyer Award, the share of this Government was 15 per cent of the divisible pool, and this continued to be in force until the partition of the country. As a result of the release of the percentages allotted to the areas now included in Pakistan, the Government of India increased this Government's share to 18 per cent with effect from

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15th August 1947. The share of income-tax for the pre-partition period in 1947-8 has not yet been finally adjusted, as the accounts are still being made up by the Auditor-General of India. A sum of Rs. 90 lakhs was provisionally adjusted in 1948-9 on this account, and this is the reason for the comparatively large revenue credited in that year.

“ As regards the next year, 1950-51, Shri Chintaman Deshmukh, ex-Governor of the Reserve Bank, who was appointed by the Government of India recently to make an award in regard to the allocation of the divisible pool among Provinces (States) has reduced the percentage share of Madras from 18 to 17.5. This Award has been made on a consideration of the representations of all the State Governments. The Madras Government urged in that connexion that the allocation should be made mainly on a population basis with some slight adjustments in favour of the backward States which might stand in need of special assistance. Shri Deshmukh has explained that he allocated the percentages released by the partition of the country among the States more or less on a population basis and that necessary additions have been made to the percentages under the basic Niemeyer Award. The Award has, therefore, to be accepted for the time being, although this Government regret that their percentage share has been reduced. This Award will, however, be in force only until the Finance Commission contemplated under Article 280 of the Constitution of India makes its recommendations. It is understood that the President is likely to set up this Commission shortly. Any satisfactory solution of this vexed question of income-tax allocation can be found not by taking away from some States what is to be given to others, but by allotting a larger percentage, say 60 per cent, of the total revenue to be divided among the States. The Madras Government hope that the Finance Commission when it is set up will find itself in a position to recommend larger allocation among the States, so as to enable them to implement their development programmes. For the present, it is a matter of some consolation that owing to the larger estimated proceeds of income-tax, the actual amount to be credited to this Government in 1950-51 may be about the same as in the current year (Rs. 8.20 crores) in spite of the reduction by half per cent in the percentage share. No credit is taken either

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in the Revised Estimate for the current year or the Budget Estimate for 1950-51 for the arrear adjustments for the pre-partition period, 1947-8.

General
Sales Tax.

“ The growth of revenue under General Sales Tax is due not only to the revision of the rates of taxation made from time to time, but also to the gradual improvement in the machinery for assessment and collection. The General Sales Tax has till now been a veritable ‘ Kamadhenu ’ to this State, but I am sorry to say that its position has been made somewhat vulnerable under the New Constitution.

“ Clause (1) of Article 286 of the Constitution prohibits the imposition of a tax on the sale or purchase of goods where such sale or purchase takes place outside the State or in the course of the import of the goods into or export of the goods out of the territory of India. Clause (2) of the same Article lays down that except in so far as Parliament may by law otherwise provide, no law of a State shall impose, or authorize the imposition of, a tax on the sale or purchase of any goods, where such sale or purchase takes place in the course of Inter-State trade or commerce. It has been estimated that this provision will result in an ultimate loss of revenue of about Rs. 1 crore per annum to the Madras Government, though the effect will not be felt in 1950-51, as the President has issued an Order under the proviso to Article 286 (2) authorizing the continuance of the tax wherever levied till the 31st March 1951. Clause (3) of the same Article further states that no law made by the Legislature of a State imposing, or authorizing the imposition of, a tax on the sale or purchase of any such goods as have been declared by Parliament by law to be essential for the life of the community shall have effect, unless it has been reserved for the consideration of the President and has received his assent. The Government of India propose to introduce legislation declaring certain articles including foodgrains and textiles as essential for the life of the community.

“ This proposal is no doubt designed to bring down the general cost of living in the general interests of the country, but its repercussions on the finances of the States will require very careful consideration.

“ It also seems to this Government that the language of clause (3) of the Article would be extremely inappropriate, if it is intended to affect taxes which

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were already being levied when the new Constitution came into force and that any legislation undertaken by the Government of India in this respect can apply only to the taxes to be newly levied or to enhancements newly contemplated by the States. The question of amending the General Sales Tax Act so as to bring it in consonance with clause (2) of Article 286 of the Constitution will be taken up in due course.

“ Our Budget for 1950-51 allows for a small decline in revenue (Rs. 52 lakhs) under the General Sales Tax with reference to Article 286 (1) of the Constitution and a possible fall in prices.

“ The Budget for 1950-51 takes credit for nearly Rs. 3 crores as receipts under Motor Vehicles Acts as against the sum of less than Rs. 1 crore realized in 1945-6. This is partly due to an increase in the number of vehicles and partly to the enhancement in the rates of tax introduced with effect from the 1st July 1949. While the improvement in the receipts is no doubt gratifying, it is to be remembered that our rates of tax are the highest in the whole of India and possibly in the whole world and the question of their reduction will have to be considered when other sources of revenue are made available to this Government.

“ I shall in this connexion refer to the allied subject of our Nationalized Motor Transport. As the House is aware, the Government Transport Organization consists of three commercial units—(1) the Government Bus Service, (2) the Government Automobile Workshop and (3) the Government Coach-building Factory. During 1947-8 and 1948-9, the working expenses of all these three units were shown directly as expenditure under the head ‘ Miscellaneous ’, but from this year (1949-50) they are taken to the revenue side of the Account in deduction of the gross receipts under the separate head ‘ Road Transport Schemes ’.

“ The net revenue to end of March 1949 for the Government Bus Service alone was Rs. 14.59 lakhs. This should be deemed to be satisfactory having regard to the fact that the full strength of the fleet was reached only towards the end of 1948. The results for the year 1949-50 are, however, not expected to be so favourable owing to the increased cost of petrol, spare parts and accessories and the

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enhancement of the motor vehicles tax (which the State Bus Service also pays). If allowance is made for the fact that the fares in Madras City have not been increased specifically with reference to the increased tax, the anticipated net revenue of about Rs. 4 lakhs for the year 1949-50 need not be regarded as discouraging.

" During the year 1949-50, a few Government buses were introduced on long distance routes from Madras to Tirupati and Nellore in addition to the City and suburban routes. It was found possible to do this from out of the fleet and staff sanctioned for the City Bus Service.

" The Government Automobile Workshop and the Government Coach-building Factory cater to the needs of other Government departments in addition to those of the Government Bus Service and are working at a profit.

" The final report of the Expert Committee set up to examine the working of the Government Transport System was received only recently and the recommendations are under the consideration of the Government.

Land
Revenue.

" The proceeds from Land Revenue including portion due to irrigation (Rs. 8 crores) now stands at practically the same level as in 1945-6. This source of revenue is still very much dependent on the vagaries of nature. During the period of three decades from 1920, we have had major cyclones in 12 years and serious floods in 17 years. Up to the end of 1945-6, Famine Relief camps had to be opened on a large scale in six years, mostly in the Ceded districts, due to the failure of rains, involving an expenditure of over Rs. 231 lakhs on famine relief operations. Nearly 70 per cent of this expenditure was incurred in 1943. This does not of course include the cost of the expansion of various departmental works to provide employment in the distressed areas. From 1947, we have had three bad seasons in succession and I have already referred to the large provision of Rs. 70 lakhs made in the current year for land revenue remissions. Rupees 24 lakhs in the current year and Rs. 10 lakhs in the next year have also been provided for relief of distress.

" As the House is aware, the Village Panchayat Bill about to be passed by the Legislature provides

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that the Government should set apart a minimum of 12½ per cent of the land revenue (including water-cess) of the State, for distribution as grants on the basis of population to small village panchayats. As, however, it will take some time for the new panchayats to be formed, no provision has been made in the Budget for 1950-51 for these grants.

“ As against this, it may be expected that when the Zamindari estates taken over are settled on ryotwari principles, there will be some additional receipts to Government under ‘ Land Revenue ’. This, however, will take time, and for the immediate future, the management of the estates and the survey and settlement operations will only mean a net additional expenditure to Government.

“ The receipts from Electricity Schemes have also been steadily on the increase and now form an important source of revenue to this Government. The figures of net revenue are—

Receipts
from
Electricity
Schemes.

Year.	RS. LAKHS.
1945-46	53·85
1946-47	52·90
1947-48	62·31
1948-49	85·12
1949-50 (Revised Estimate) ..	1,24·70

“ The revenue in the current year would have been greater but for the continued high cost of labour, materials and equipment in general and of coal and fuel oil so far as Thermal stations are concerned. The revenue in 1950-51 is estimated at over Rs. 158 lakhs and will increase further in future years with the completion of the several systems now under construction.

“ Legislation has recently been passed for the nationalization of all the private electricity undertakings. This, however, is only an enabling measure, and as the Government intend to take over first the less efficient units, so as to give better service to the people, no net additional revenue to the Government is anticipated on this account to begin with.

“ The Electricity Supply Act, 1948, passed by the Central Legislature, contemplates the setting up of an Electricity Board for the management of all electricity concerns in a State. But, considering the progress and the co-ordinated development already

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achieved in this State, it is hoped that the formation of an Electricity Board for this State will not be taken up for several years to come.

Grants
from the
Government
of India for
Post war
Dev.lop-
ment and
Grow More
Food
Schemes.

“ Another important addition to our revenues in recent years, which looks like fading away in the future is the grant given by the Government of India for Post-war Development and Grow More Food Schemes. Originally, the Government of India promised to give a block grant towards the expenditure to be incurred during the five years from 1947-8 on Post-war Development Schemes approved by them and they also agreed to reimburse to this Government by way of ‘ advance grants ’ the whole of the unproductive expenditure incurred up to the 31st March 1947 on such approved schemes. They also promised to give grants for approved Grow More Food Schemes. In the first year, grants were given to cover the total expenditure incurred by this Government, but later, the grants were restricted generally to 50 per cent of the approved expenditure. The grants actually adjusted in each year’s accounts were as follows:—

	RS.	
	CRORES.	
1946-47	2.30	for Post-war Reconstruction Schemes.
	+ 2.10	for Grow More Food Schemes.
1947-48	2.80	} for both classes of schemes.
1948-49	2.78	

“ For the current year, 1949-50, the Government of India originally promised to give Rs. 5 crores of which Rs. 1.50 crores were earmarked for Grow More Food Schemes, leaving a maximum of Rs. 3.50 crores available for Post-war Reconstruction Schemes. Subsequently, they reduced the maximum grant for Post-war Reconstruction Schemes by Rs. 1 crore, and also intimated that grants for approved Grow More Food Schemes would be given only to the extent that the special bonus for procurement given by them is not sufficient to cover the expenditure on such schemes. The special bonus at the rate of 8 annas per maund of foodgrains procured by this Government was sanctioned by the Government of India for the first time in 1948-9 and the amount received in that year was Rs. 2.07 crores. This was taken in reduction of the capital outlay on State Trading Schemes. The bonus anticipated for 1949-50 is Rs. 2.03 crores, credit having been taken in the Revised

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Estimate for 1949-50 for a total grant of Rs. 5.03 crores as direct receipts, made up of Rs. 2.50 crores for Post-war Reconstruction Schemes, Rs. 2.03 crores as special bonus for procurement and Rs. 0.50 crore as additional grant for Grow More Food Schemes. So far as 1950-51 is concerned, the Government of India have intimated that it would not be possible for them to give any grant for Post-war Reconstruction Schemes and that the conditions for Grow More Food grants will be the same as in the current year. The budget for 1950-51 therefore takes credit only for an estimated special procurement bonus of Rs. 2.13 crores. The provision made for expenditure on Post-war Reconstruction and Grow More Food Schemes (both Capital and Revenue Accounts) in 1949-50 (Revised Estimate) and 1950-51 (Budget Estimate) is as under:—

	1949-50 (Revised estimate).	1950-51 (Budget estimate).
	RS. CRORES.	RS. CRORES.
Post-war Reconstruction Schemes.	14.70	16.85
Grow More Food Schemes . . .	3.92	3.97

“ Of the provision for 1949-50, about Rs. 9 crores under Post-war Reconstruction Schemes representing capital expenditure on Irrigation and Electricity Schemes and about Rs. 1 crore under Grow More Food Schemes representing mainly the cost of agricultural machinery (tractors, pipes, pump sets, oil engines, etc.), will not be eligible for a grant from the Government of India. The balance of the provision made will be sufficient to earn the grants for which credit has been taken in the Revised Estimate.

“ Hon. Members will notice that notwithstanding the absence of a grant from the Government of India for Post-war Reconstruction Schemes in 1950-51, the provision made for such schemes in that year is even larger than the estimated expenditure for the current year. This is because it has been found to be impracticable to delay or suspend the execution of schemes which are fairly under way without serious detriment to the economic and social welfare of the people. Some expansion of a few of the schemes has also been found to be inevitable. The financing of the programme for 1950-51 without any assistance from the Government of India will throw a considerable strain on the resources of this Government. I hope that the Government of India will realize how sudden

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changes in their policy are a source of embarrassment to State Governments in implementing their plans, and that they will find it possible to revive their assistance in the form originally contemplated, at least from 1951-2 onwards.

Expenditure
on Revenue
Account.

“ The increase in the total expenditure since 1945-6 is mainly on nation-building services. The expenditure on such services has risen from less than Rs. 10 crores in 1945-6 to nearly Rs. 20 crores in 1948-9 and Rs. 24.5 crores in 1949-50 (Revised Estimate), and the provision in the next year's budget is over Rs. 26 crores, as detailed in paragraph 20 in Part I of the Finance Secretary's Budget Memorandum. Unless the general level of prices comes down appreciably, there is very little prospect of the expenditure being reduced, and in fact some further increase in future years will be inevitable to meet the essential needs of the people. The possibility of retrenchment has been examined in detail, but it has been found that retrenchment to the extent contemplated by the Retrenchment and Reorganization Committee is out of the question. The progress of developmental schemes necessarily involves increase of recurring expenditure from year to year. With the prices at their present level, the payment of dearness allowance to Government servants as well as to the employees of local bodies has to be continued. The expenditure on the Police and Jail Departments has been steadily going up on account of the general unrest among various sections of the community and the subversive activities of Communists. The total expenditure on revenue account under ‘ Jails ’ and ‘ Police ’ which was only about Rs. 3½ crores in 1945-6 mounted to over Rs. 7½ crores in 1948-9, and it is expected to be about the same in the current and next years.

“ I shall now draw your attention to the progress of expenditure on departments connected with the welfare of the people.

Education.

“ The expenditure on ‘ Education ’ (excluding that on buildings and on specialized institutions under the control of other departments like medical and agricultural colleges and schools and the special expenditure on the education of Harijans and backward classes) stood at about Rs. 4½ crores in 1945-6, but has risen to nearly Rs. 9 crores in 1948-9 and is expected to touch the Rs. 10 crores mark in 1950-51.

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If the expenditure pertaining to ' Education ' under the control of other departments and on buildings is also included, the estimated expenditure in the next year will be as much as Rs. 11·5 crores including about Rs. 1 crore debitable to the Capital Account. The number of educational institutions and students has shown a steady increase from year to year, as the following figures will show:—

	Number.	Strength.	
		IN LAKHS.	
Elementary Schools (Boys and Girls)—			
1945-6	35,916	32·42	
1946-7	36,148	34·56	
1947-8	36,575	36·51	
1948-9	37,195	38·17	
Secondary Schools (Boys and Girls)—			
1945-6	796	4·16	7
1946-7	901	4·39	
1947-8	975	4·74	16
1948-9	1,103	5·21	39
		IN THOUSANDS.	
Arts Colleges (Men and Women)			
including Oriental Colleges—			
1945-6	75	29	
1946-7	78	31	
1947-8	82	35	
1948-9	89	40	

“ We have now about 250 basic elementary schools, 36 basic training schools and about 400 adult literacy schools. With a view to enable managements to provide buildings for basic schools, the scale of building grants has been raised from one-half of the cost to three-fourths, subject to certain maxima. The supervisory staff has been reorganized, so as to reduce the number of elementary schools under the jurisdiction of each Deputy Inspector to about 60.

“ Bifurcated courses have been introduced in 100 secondary schools. It may also be noted that the distinction previously made between secondary schools opened by local bodies before 1930 and those opened afterwards, for payment of subsidies for construction of buildings, purchase of equipment and acquisition of lands for playgrounds has been removed and all schools are now eligible for aid on the same basis.

“ New courses also have been opened in the various Government Colleges.

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“ *Special Institutions.*—Facilities for the education of defective children have also been increased. Government schools for the blind have been opened at Cuddapah and Salem. It is also proposed to open a school for the Deaf and Dumb at Chunangad in South Malabar, in the next year.

“ A noteworthy feature this year was the opening of the Central College of Karnatic Music in Madras. Rural colleges for men were opened by the Government at Arcot, Badagara and Pentapadu, besides a college under private management at Perianayakanpalayam.

“ *National Cadet Corps.*—The following units have been raised:—

Senior Division in 9 Infantry Companies, 4 Specialist Universities. Units (Electrical and Mechanical, Engineering, Medical and Signal Units).

Junior Division in 21 Units and 1 Sub-Unit. High Schools.

It is proposed to raise two more infantry companies in the Senior division and 24 more units (including one sub-unit) in the Junior division, during the next year.

“ The total provision made for new schemes relating to the Education Department in the budget for next year is Rs. 55 lakhs. The details of the new schemes will be found in the Budget Memorandum.

Medical and
Public
Health.

“ His Excellency the Governor referred in his address to the steady pursuit by the Government of their policy of taking all possible steps to protect the health of the people, prevent the occurrence of epidemics and provide for medical relief by encouraging both the modern and indigenous systems. The total expenditure on the Medical and Public Health Departments (excluding the expenditure on buildings) has increased from Rs. 234 lakhs in 1945-6 to Rs. 388 lakhs in 1948-9 (including Rs. 21 lakhs debited to the Rural Water-supply Fund). The annual expenditure in 1949-50 and in 1950-1 is expected to exceed Rs. 4 crores, including about Rs. 7 lakhs for the School, College and Hospital of Indigenous Medicine.

“ The Government have sanctioned the opening of a separate Dental Department to be treated as part

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of the Medical College in the General Hospital, Madras, with a view to train students for the B.D.S. Degree. The Government have also sanctioned the construction of three new medical wards in the King George Hospital, Visakhapatnam, at an estimated cost of Rs. 17.25 lakhs, with a view to providing facilities for training in clinical subjects for the additional students proposed to be admitted for the M.B.B.S. course in the Andhra Medical College and for the students so far admitted in the Guntur Medical College. The following institutions have come under Government control during this year:—

H.H. the Maharaja's Hospital, Vizianagaram (44 beds).

H.H. the Maharani's Hospital, Vizianagaram (20 beds).

H.H. the Maharaja's Dispensary at Simhachalam.

Victoria Hospital for Women and Children, Visakhapatnam.

“ The gross provision made for Water-supply and Drainage Schemes in each year from 1945-6 has been as follows:—

Year.		Urban schemes.	Rural schemes.	Total.
		RS.	RS.	RS.
		LAKHS.	LAKHS.	LAKHS.
1945-6		5	12	17
1946-7		21	25	46
1947-8		23	24	47
1948-9		29	40	69

In pursuance of the policy of accelerating the progress of Water-supply and Drainage Schemes in the urban areas of this Presidency, the Government have drawn up a programme of works to be executed in the next five years. This involves the payment of grants to local bodies to the extent of Rs. 20 lakhs in the current year, Rs. 40 lakhs in each of the next two years and Rs. 80 lakhs in the two subsequent years.

“ The total provision made in the next year's budget for new schemes relating to Medical and Public Health Departments is Rs. 9 lakhs in the Revenue Account and Rs. 9 lakhs in the Capital Account.

“ The capital schemes are, the construction of an infectious diseases ward and quarters for staff in the Rajah Sir Ramaswami Mudaliar's Lying-in Hospital,

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Madras (ultimate estimated cost Rs. 33 lakhs), improvements to the Headquarters Hospital, Mangalore and Lady Goschen Hospital, Mangalore (ultimate cost Rs. 29 lakhs) and improvements to certain taluk headquarters hospitals (ultimate cost Rs. 18 lakhs).

Agriculture]
and food
production.

“ The expenditure under the head ‘ Agriculture ’ rose from Rs. 74 lakhs in 1945-6 to Rs. 127 lakhs in 1948-9. The estimated expenditure in 1949-50 is as high as Rs. 241 lakhs, including a provision of nearly Rs. 1 crore for the purchase of tractors, pipes, oil-engines, pump-sets, etc., in connexion with the Two-Year Plan of intensive cultivation, which has been referred to in the Governor’s address. The budget for the next year provides about half a crore for the same purpose, and the total is about Rs. 188 lakhs. At the instance of the Government of India, the Two-Year Plan is now being revised into a Three-Year Plan for the period 1949-50 to 1951-2. The net cost of the plan will be Rs. 3.39 crores, of which the Government of India will bear about Rs. 72 lakhs. The additional production of foodgrains expected during the three years is 782,000 tons.

“ The Well Subsidy Schemes accounted for under the head ‘ General Administration ’ have been in force since 1944. Up to the end of March 1949, a total sum of Rs. 579 lakhs has been disbursed under these schemes and an additional extent of 108,000 acres brought under cultivation. A new well subsidy scheme was introduced during the current year and a sum of Rs. 105 lakhs disbursed up to November 1949. The scheme was then held in abeyance for some time, pending the consideration of the Government of India’s proposal that subsidies in the form of cash should be discontinued and that assistance should be given only in kind. It has now been decided with the concurrence of the Government of India that the scheme should be continued without any modification. It is expected that a total sum of Rs. 150 lakhs would be disbursed as loans in the current year and Rs. 152 lakhs in the next year.

“ Loans are converted into subsidies, only after the wells have been constructed and the accounts scrutinized. This necessarily takes time. A total sum of Rs. 128 lakhs only has therefore been provided in the Revised Estimate, 1949-50 for conversion into subsidies, mainly in respect of schemes in operation in

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previous years. The corresponding figure for 1950-1 is Rs. 88 lakhs. The cost of the special staff including one Collector and eight Deputy Collectors employed in connexion with these schemes is expected to be about Rs. 18 lakhs in each year.

“ The Government has continued to bestow special attention to the improvement of Minor Irrigation works. As the House is aware, a comprehensive Tank Improvement Scheme covering both Ryotwari and Zamindari areas was sanctioned in August 1949. The scheme is expected to cost Rs. 10 crores, spread over a period of five years and to bring about an increase in food production to the extent of $1\frac{1}{2}$ lakhs. of tons. A provision of Rs. 35 lakhs in the current year and Rs. 85 lakhs in the next year has been made for this scheme. In addition, a lump-sum provision of Rs. 60 lakhs has been made for other irrigation works to be taken up in pursuance of the Grow More Food Campaign. The works will be spread over all the areas of the State and a list of the schemes which will be considered in this connexion will be found in Appendix II to the Detailed Budget Estimates.

“ The number of Grow More Food irrigation schemes sanctioned in the Public Works Department from April 1946 to September 1949 was 177, involving a total estimated cost of Rs. 229 lakhs and expected to yield 69,000 tons of rice. The expenditure actually incurred during the period was about Rs. 62 lakhs and the anticipated additional yield from the works so far executed is nearly 17,000 tons of rice.

“ It is estimated that the cumulative effect of the various agricultural and smaller irrigation works I have just referred to, will enable this Government to substantially reduce their imports of foodgrains in future years. In the Kharif year 1948-9, we imported 1.29 lakhs of tons of rice, 1.16 lakhs of tons of wheat and wheat products and 1.43 lakhs of tons of other grains for consumption in the Madras State, and the drain on the resources of this Government on account of food subsidies during the six years from 1943-4 to 1948-9 was of the order of Rs. 17 crores, exclusive of a sum of Rs. 4.5 crores spent on staff for procurement and rationing. The figure of Rs. 17 crores includes a sum of nearly Rs. 3 crores paid as bonus to ryots in 1946-7 without any portion of the cost being passed on to the consumers. Although the cost has been heavy, I think that on the whole,

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the Madras Government are entitled to some credit for having tided over the very difficult food situation during the last three years.

“ The Government are alive to the seriousness of the present food situation consequent on the damages to crops caused by floods, etc., in the North and drought in the South and they will continue to press upon the Government of India the need for adequate assistance.

Major
Irrigation
Works.

“ While the Madras Government have given due priority to short-term measures to meet the food situation, so as to enable the Government of India to adhere to their decision to discontinue imports of food-grains by the end of 1951, they have continued to push on with their major irrigation schemes of long-term value. By the end of the current year, it is expected that a sum of Rs. 594 lakhs would have been spent on the execution of the Tungabhadra Project and Rs. 116 lakhs on the Lower Bhavani Project. The budget for 1950-1 provides for an expenditure of Rs. 287 lakhs and 103 lakhs respectively on these two projects. The other schemes which are under execution and for which a large provision has been made in the next year's budget include the Malampuzha Reservoir Project, Rallapad Project, improvements to Romperu and Peddalanka Drains and the Mettur Canals Scheme.

Total
irrigation
expenditure.

“ The growth in the expenditure on irrigation has been as follows:—

			Revenue Account.	Capital Account.	Total.
			RS.	RS.	RS.
			LAKHS.	LAKHS.	LAKHS.
1945-6	..	..	84	13	97
1946-7	..	..	94	61	155
1947-8	..	..	112	142	254
1948-9	..	..	148	248	396
1949-50 (Revised Estimate)	..	..	205	392	597
1950-1 (Budget Estimate)	..	..	134	578	712

Communica-
tions.

“ Development of roads other than National Highways is now carried on according to a Five-year Plan to which I referred in my last budget speech. The average annual expenditure on communications (original works and repairs) during the three years 1946-7 to 1948-9 amounted to Rs. 275 lakhs, against Rs. 145 lakhs in 1945-6. The expenditure in the

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current year is expected to be Rs. 424 lakhs exclusive of grants-in-aid to local bodies to the extent of Rs. 80 lakhs for the works under their control. The corresponding figures for 1950-1 are—

“ Rs. 439 lakhs and Rs. 55 lakhs, including Rs. $4\frac{1}{2}$ lakhs for village roads.

“ Turning to Industries, there has been a wide-spread slump this year in the important handloom industry. To relieve the consequent distress among the weavers, the Government have introduced a special scheme in the districts of Salem, Cuddapah, Chittoor, Kurnool, Bellary, Malabar and Coimbatore. Under this scheme, the Government provide interest-free advances at the rate of Rs. 25 for every weaver newly admitted into the weavers' co-operative societies, recoverable in 12 monthly instalments. They also give advances to the societies at the rate of Rs. 75 per loom for purchase of yarn and payment of wages to the members. The Government also guarantee the loans obtained by the societies from financing Banks and undertake to make good the net loss incurred by the societies in working the scheme. The scheme will be extended to other districts as and when the need arises. Industries.

“ The Intensive Khadi Scheme introduced early in 1947 in seven selected firkas continues to work satisfactorily. From the inception of the scheme up to the end of September 1949, nearly 16 lakhs yards of khadi were produced and over 10 lakhs yards sold. The ‘extensive’ scheme has been introduced this year in one firka in each of 19 districts. One thousand charkas will be introduced in each firka and cotton will be supplied to spinners at cost price. Subsidies to cover a part of the cost of the charkas and the wages payable to weavers on cloth produced from the yarn spun by them will be paid to the spinners by the Government.

“ Since 1946, eight polytechnics have been established on a regional basis. The total number of candidates who have passed the diploma examinations is now 1,008.

“ As the House is aware, the Madras Industrial Investment Corporation came into being in March 1949 with an authorized capital of Rs. 2 crores, of which Rs. 102 lakhs would be subscribed by the Government. One half of this amount has been paid and provision for the other half is made in the budget

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for the next year. The Government have guaranteed not only the shares of the Corporation, but also a minimum dividend of 3 per cent per annum, subject to tax for a period of 10 years. The Government now hold shares worth Rs. 40 lakhs in the Fertilizers and Chemicals, Alwaye, and propose to purchase shares for another Rs. 20 lakhs during the next year.

Harijan
welfare.

“ As educational advancement is the first requisite for Harijan welfare, special attention has been paid to the provision of facilities in this regard. The number of special Harijan Welfare Schools rose from about 1,100 with a strength of 69,000 pupils on 1st April 1946 to over 1,200 schools and 95,000 pupils on the 1st April 1949. During the same period, the number and amount of boarding grants rose from 1,885 and Rs. 2.29 lakhs to 6,753 and Rs. 10.08 lakhs. The Government are also maintaining 12 hostels including two for girls (with a strength of 675 boarders) at a cost of over Rs. 1.30 lakhs per annum. Mid-day meals are now supplied to the Harijan pupils in all the special welfare schools in the State, the total annual cost being now nearly Rs. 12 lakhs, against Rs. 8 lakhs in 1945-6. The system of scholarships to Harijan pupils has also been liberalized from year to year, over Rs. 3 lakhs being paid to about 7,700 scholars in 1948-9 as against Rs. 1.6 lakhs for 6,600 scholars in 1945-6.

“ The provision of healthy and suitable house-sites for relieving the congestion in Harijan cheris has received high priority among the amenity measures. Nearly 100 thousand house-sites have been provided up to the end of March 1949, since the commencement of the scheme. Other amenities like wells, approach roads and drainage facilities are also being provided on an increasing scale. The total expenditure on Harijan welfare which was less than Rs. 30 lakhs in 1945-6 rose to Rs. 64 lakhs (roundly) in 1948-9. The provision made in the revised estimate for 1949-50 and the budget estimate for 1950-1 is Rs. 82 lakhs and Rs. 93 lakhs respectively. The expenditure in these years over the level of expenditure in 1948-9 will be met from the Rs. 1 crore Harijan Uplift Fund.

Backward
classes.

“ The Government also continue to devote special attention to the improvement of the backward classes by the grant of scholarships, boarding grants,

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etc. The budget for the next year includes a lump-sum provision of Rs. 5 lakhs for this purpose as in the current year. This is in addition to the general provision made for Harijan welfare.

“ In December 1949, a conference was held to consider the problems relating to the Agency tracts and to formulate a plan both for the development of the areas and the amelioration of the conditions of the hill tribes. One of the recommendations of the conference was that a Special Officer of the grade of senior Collector should be made exclusively responsible for the formulation and implementation of the detailed plan for all the Agency tracts in the districts of East Godavari, West Godavari and Visakhapatnam, the routine administration of the areas continuing to be in the hands of the Collectors as before. The Government have accepted this recommendation and have sanctioned the creation of a temporary post of Special Development Officer for the scheduled areas. Scheduled areas.

“ The intensive Rural Reconstruction Schemes introduced in 1946 are working a silent revolution in the economy of our villages. As stated in the Governor's address, the scheme will be extended to 50 new additional firkas. Village reconstruction.

“ As the hon. Members are aware, a Village Reconstruction and Harijan Uplift Fund was constituted in 1946-7 with an initial contribution of Rs. 4 crores from State revenues—Rs. 1 crore for Village Reconstruction, Rs. 2 crores for Khadi and cottage industries, and Rs. 1 crore for Harijan Uplift. A further contribution of Rs. 10 lakhs (Rs. 5 lakhs for Village Reconstruction and Rs. 5 lakhs for Harijan Uplift) has been made in the current year. The total expenditure from the fund to the end of March 1949 was about Rs. 69 lakhs. The expenditure that is expected to be incurred during this year and the next year is Rs. 153 lakhs, made up of Rs. 57 lakhs under Village Reconstruction, Rs. 50 lakhs under Khadi and cottage industries and Rs. 46 lakhs under Harijan Uplift. There will thus be a balance of about Rs. 188 lakhs still left in the fund at the end of the next year. Village Reconstruction and Harijan Uplift Fund.

“ In my last budget speech, I drew attention to the Five-year plan of Electrical development in this Province, which was drawn up soon after the Electrical development.

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close of the war. Good progress has been made in the implementation of this plan. The following statement shows the progress of expenditure on the major items:—

	Expenditure up to end of 1948-49.	Revised Estimate, 1949-50.	Budget Estimate, 1950-51.
	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.
Machkund Hydro-Electric Scheme.	39	99	161
Moyar Hydro-Electric Scheme.	129	99	83
Pykara III stage	29	57	64
Papanasam Extension ..	91	31	27
Madras Power Station Extension.	73	76	70
Ceded Districts Scheme.	24	23	16

“ The demand for rural electrification and industrial development is on the increase and the Government are sanctioning the detailed investigation of new schemes.

Housing. “ The Government have passed orders on most of the recommendations of the Provincial Housing Committee. During the current year, Rs. 45 lakhs were sanctioned as loans for the construction of 622 new houses and for the completion of 319 houses commenced in the previous years. A provision of Rs. 120 lakhs has been made in the next year's budget for granting loans to Building Societies, of which Rs. 20 lakhs will be earmarked for rural societies. It is also proposed to construct 50 quarters for Government servants at Todhunter Nagar.

Modification of pension system for Government servants.

“ An important reform affecting Government servants is the decision recently taken to introduce a scheme of combined pension, provident fund and insurance in place of the existing pension system. Under this scheme, pension will be reduced to half the present scale and the reduction will be made up by Government contributing to a provident fund at the rate of 9 pies in the rupee of the actual pay drawn from time to time. The Government servant will be required to insure his life for a certain minimum sum prescribed for his class and will be permitted to withdraw from his own accumulations in the provident fund for payment of insurance premium if necessary. The accumulations in the

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provident fund including the Government contribution will be paid to the Government servant on retirement or to his heirs if he dies in service and compassionate gratuities, *ex gratia* payments and commutation of pensions will be abolished in respect of persons coming under the new scheme. The new system will apply to all future entrants and option will be given to all existing Government servants without any substantive appointments and for permanent Government servants with a total service of less than ten years to come under the new system. The scheme is designed to remedy the main defect of the existing pension system, namely, that no benefits are payable to the family of a Government servant who happens to die in service before reaching the age of superannuation.

“ I have now surveyed the growth of revenue and expenditure under important heads, and I am glad to say that so far, the financial position of the Government has been extremely sound. The amount at the credit of the Revenue Reserve Fund has increased by about Rs. 2 crores since 1945-6. The figures are—

General observations on the growth of revenue and expenditure.

Cash and securities
(Market value).

	RS.
	CRORES.
As on 1st April 1946	31.45
As on 1st April 1947	26.93
As on 1st April 1948	32.44
As on 1st April 1949	33.00
As on 1st April 1950 (Estimated) ..	33.81

This building up of our reserves has been achieved, in spite of the steady increase in activities for the betterment of the conditions of the people. Whether this policy can be continued will depend largely on our finances under the new Constitution.

“ As there is very little scope for increased taxation and as the yield from some of our important sources of revenue may decline in future for the reasons I have already indicated, there is an imperative need for additional allocations of revenue and grants-in-aid from the Union Government. I have no doubt that this aspect will receive the fullest consideration of the forthcoming Finance Commission.

“ In this connexion, I may refer to the Local Finances Enquiry Committee set up by the Government of India primarily to find additional sources of

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**Budget
Estimate,
1950-51.**

“ I now pass on to the figures of the Budget for next year. The estimates for the Revenue Account are—

	RS. LAKHS.
Revenue Account summary.	
A. Revenue—Normal	55,21.25
B. Expenditure on Revenue Account—	
(i) Normal expenditure, i.e., excluding expenditure on Post-war Development and Grow More Food Schemes.	47,91.26
(ii) (1) Expenditure on Post-war Development Schemes.	5,39.91
(2) Expenditure on Grow More Food Schemes.	2,26.06
Total . .	55,57.23
C. Deficit	— 35.98

“ Hon. Members will find details of the figures for the Revised Estimate for 1949-50 and the Budget Estimate for 1950-1 in an appendix ^a to the printed copy of my speech. As compared with the Revised Estimate for 1949-50, the Budget for 1950-51 anticipates a decrease in normal revenue of Rs. 170 lakhs. This is mainly the net result of the factors I have already mentioned, viz., absence of the credit for the grants from the Government of India for Post-War Development Schemes and anticipated fall in the receipts under the general sales tax, partly off-set by the absence of provision for special remissions of land revenue next year and the larger receipts from electricity schemes. The estimate of expenditure in the next year is less than for the current year by about Rs. 81 lakhs. The reduction of Rs. 71 lakhs occurring under ‘Irrigation’ is only apparent. The provision for Tank Restoration Schemes and other Grow More Food Irrigation Schemes which appeared in the Revenue Account in

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the current year's budget has been included in the Capital Account for next year, treating the individual items as part of a single comprehensive scheme. Large decreases occur also under 'Agriculture' (Rs. — 52 lakhs), Stationery and Printing (Rs. — 21 lakhs), Miscellaneous (Rs. — 20 lakhs) and Civil Works (Rs. — 19 lakhs). Against the above decreases large increases occur under 'Education' (Rs. + 54 lakhs), and Industries and Supplies (Rs. + 50 lakhs). I shall not trouble the House with detailed reasons for these variations which will be found explained under the relevant demands in the Finance Secretary's Memorandum.

“ The total net cost in 1950-51 of the new schemes which have been included in the Budget is Rs. 137 lakhs debitable to the Revenue Account and Rs. 190 lakhs debitable to the Capital and Debt Accounts, while schemes costing Rs. 13 lakhs will be financed from the Village Reconstruction and Harijan Uplift Fund. The ultimate cost of all the schemes is Rs. 39 lakhs recurring and Rs. 767 lakhs non-recurring. I have already mentioned some of these schemes and a full list is given in Appendix I to the Budget Memorandum for 1950-51. .

“ The provision for new schemes made in the Capital Account is Rs. 133 lakhs made up of Rs. 71 lakhs for the Irrigation Department, Rs. 20 lakhs for the purchase of additional shares in the Fertilizers and Chemicals (Travancore), Limited, and Rs. 42 lakhs for buildings. The provision for buildings consists of Rs. 15 lakhs for the Police Department, Rs. 14 lakhs for the Education Department, Rs. 10 lakhs for the Medical, Public Health, and Agricultural Departments and Rs. 3 lakhs for quarters for Government servants. In the Debt Account, a provision of Rs. 57 lakhs is made mainly for the grant of loans to local bodies for various purposes.

“ The net result is a small deficit in the Revenue Account of Rs. 36 lakhs in the Budget for 1950-51. Considering the substantial provision made for new schemes and the absence of the Post-war Reconstruction grant from the Government of India, this deficit cannot be regarded as of any consequence. In fact, the deficit is about the same as the estimated excess of expenditure over revenue in respect of the merged areas of Pudukkottai, Banganapalle and Sandur. If

New
schemes.

Revenue
Deficit,
1950-51.

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any compensation is received from the Government of India in respect of these areas, the deficit will be practically wiped out. It is, therefore, proposed to leave the deficit uncovered for the present.

Capital expenditure. "The capital expenditure incurred since 1945-6 has been as follows:—

					RS. CRORES.
1945-6	..	..	..	..	1
1946-7	..	..	..	..	2
1947-8	..	..	..	..	6
1948-9	..	..	..	..	8.5

The total amount spent during the last three years is Rs. 16½ crores, including Rs. 10 crores on electricity schemes, Rs. 4.5 crores on irrigation works and Rs. 1 crore on industrial development. The estimated expenditure in 1949-50 is Rs. 12 crores excluding the transactions under State Trading Schemes. The provision made in the budget for next year is Rs. 15.5 crores. The increase over the revised estimate is mainly due to the provision for advance compensation to zamindars and better progress expected on large projects such as the Lower Bhavani, Tungabhadra and Machkund schemes. The transactions on account of State Trading Schemes that will be booked in the year's accounts are not expected to result in any large debit or credit. Details of capital expenditure will be found in an appendix ^a to the printed copy of my speech.

Loans and
Advances by
the Madras
Government,
1950-51.

"Under 'Loans and advances by the Madras Government,' it is expected that there will be a net disbursement of nearly Rs. 105 lakhs in 1950-51 against a net disbursement of Rs. 153 lakhs in the current year. The Government have guaranteed an overdraft up to Rs. 3 crores with the Imperial Bank on behalf of the Madras Provincial Co-operative Bank, and a loan of Rs. 190 lakhs given directly by the Government is also now outstanding. It is expected that this outstanding loan will be recovered during the course of the next year and that there will be no need for a fresh loan to the Bank. The gross amount of loans provided in the Budget for 1950-51 (Rs. 516 lakhs) includes Rs. 35 lakhs for short-term advances to the Madras Co-operative Central Land Mortgage Bank, Rs. 152 lakhs for well subsidy loans,

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and Rs. 90 lakhs further advances to cultivators. A sum of Rs. 35 lakhs has been provided for loans under the State-Aid to Industries Act. A provision of Rs. 29 lakhs has been made for new loans to local bodies, including nearly Rs. 16 lakhs to the Corporation of Madras for construction of roads, markets, water-supply, drainage and other public health schemes. The loans include also Rs. 9 lakhs to the Madras City Improvement Trust for housing schemes. Rs. 100 lakhs for building societies and Rs. 20 lakhs for housing societies in rural areas to which I have already drawn attention.

“As usual, no credit is taken in the budget for the proceeds of loans that may be raised in the open market or taken from the Government of India in 1950-51 to finance capital outlay and loans and advances to local bodies, etc. The withdrawal from the invested cash balances which is now shown in the budget will be reduced by the amount of any new loans raised. The total net outlay relating to capital heads and loans provided in the budget is Rs. 16.5 crores, and the Government trust that they will have the co-operation of the enlightened public of this Presidency to their loan programme.

“The year 1950-51 is expected to start with a balance of Rs. 37.99 crores including cash and securities in the Revenue Reserve Fund. It is estimated to close with a cash balance of Rs. 58 lakhs and securities worth Rs. 23.52 crores, without allowing for any new loans that may be raised. In addition, Government will hold separately securities belonging to the Sinking Fund Investment Account, Famine Relief Fund and the Electricity Depreciation and Special Reserve Funds of the purchase value of Rs. 5.69 crores. Full details of the position relating to these and other Special Funds will be found in Appendices III to VII of the Budget Memorandum, 1950-51.

“Appendix II to the Budget Memorandum 1950-51 gives a detailed statement of the Government's liabilities and of their assets of certain kinds. The liabilities on the 31st March 1951 are estimated at Rs. 104 crores and assets at Rs. 121 crores. The excess of the assets over liabilities is thus Rs. 17 crores.

“Sir, I have now come to the end of my speech. The budget that I have presented contains no surprises, nor does it hold any hope of immediate relief

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from existing taxation; but it will be some consolation to many people that the Government do not propose to resort to additional taxation as they were compelled to last year. It is no doubt true that the figures I have given regarding the growth of expenditure on the various departments of the Government reflect to some extent the general increase in price levels and that the increase in well-being and prosperity of the people has not been in proportion to the increase in Government expenditure. But no impartial critic will deny that appreciable progress in many directions has been made during the brief period of four years the popular Government have been in charge of the administration. We have still a long way to go before our goal of education for all and a reasonable standard of living for every one is achieved. There is, however, no short-cut to this goal, and hard and sustained work by all sections of the community and fullest co-operation among them will be necessary before we can repair the ravages caused by the last war. To keep the existing inflationary tendencies in check, it is necessary that we should maintain budgetary equilibrium as far as possible and it is a tribute to the essential soundness of the finances of this State that without violence to this principle and with a very much reduced scale of assistance from the Centre, it has been possible to provide for some expansion of developmental activities, particularly in the important spheres of education, medical relief, water-supply and improvement of communications. It is often said that we could have done very much more if this Government had not pursued policies such as prohibition and the encouragement of khadi. But such criticisms are pointless. Because these measures are really articles of faith with the present Government and they contribute as much, if not more, to the well-being of the people as other lines of development. I, therefore, hope that all Members of this House will help the Government by constructive criticism only (Laughter) appreciating the limitations within which the Government have to function and their achievements, without unduly magnifying the things that still remain to be done.

“ I take this opportunity of thanking Sri B. Rama Rau, Governor of the Reserve Bank and his Deputies for the full assistance they gave us in the matter of Treasury Bills and other matters whenever we sought their advice and help.

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“ This is the first year of complete Prohibition in the whole State and it has created its own problems in the Finance Department. The ways and means position becomes very anxious at times and a very vigilant eye has to be kept on it, with a fairly accurate estimate week after week. The non-availability of the anticipated loan of six crores of rupees from the Government of India added to our difficulties considerably. I cannot allow the speech to be concluded before congratulating and sincerely thanking Mr. T. N. S. Raghavan and his able Assistants for the very able and valuable work they have done during this year. I certainly express my joy for the able way in which they have managed the very difficult situations.

“ I shall now conclude with an earnest prayer that it might be given to everyone of us to follow the precept in the *Tirukkural*—‘ Tread humbly, but resolutely, unmindful of pain, the path of common good ’—, so that our infant Republic may soon grow into a potent force for peace and harmony among the nations of the World! ” (Applause).

Jai Bharat!

MR. CHAIRMAN :—“ I adjourn the House till 11 o'clock on Monday, the 6th March 1950.”

III.—PAPER LAID ON THE TABLE.

G.O. No. 105, L.A., dated 12th January 1950, issuing instructions regarding the conduct of elections to the Perambalur (Tiruchirappalli) Panchayat Board.